

**Mount Vernon City Council
Finance Committee
Minutes
February 24, 2016**

Present: Councilmembers Fiedler, Molenaar, Lindquist, Hudson, Ragan,

Staff present: Finance Director Huschka, Police Chief Dodd, CED Director Hyde

1. Minutes were approved.
2. 2015 Major Governmental Revenues:
 - Property Tax – this is the city's largest revenue source, representing 27% of all governmental operating revenues. In 2015 the city experienced \$70,385 of "lost" revenue due to DOR Tax Exemption Determinations for the hospital, clinics, and a school. Included in this lost revenue total is \$6,099 attributable to the parcels purchased for the new jail site which resulted in a conversion of the property to government, a tax exempt status.
 - Sales tax – 2015 total revenues increased 5.5% over the year 2014, or \$304,823. When compared to the year 2007, the city's 2015 revenue total is still 6% or \$372,000 less than 2007.
 - The January and February 2016 collections are up 4.8% over the same period in 2015 excluding the sales tax associated with the jail construction project.
 - Utility Tax revenues for 2015 compared to 2014 were reviewed by source.
 - Criminal Justice Sales Tax – 2015 revenues increased 7.5% over 2014. The average annual increase over the past five years has been 8.5%.
 - Motor Vehicle Fuel Tax – 2015 revenues increased 2.1% over 2014. The average increase over the past five years has been 0.7%. The City will receive an additional \$43,000 in 2016 due to new transportation packet passed by the State Legislature in 2015.
 - Real Estate Excise Tax (REET) – 2015 increased 30% compared to 2014; \$577,000 compared to \$442,000.
 - Building Permits – 2015 revenue was up 20% over 2014, excluding the jail permit revenue in 2015 which was \$215,370 alone.
 - Brokered Natural Gas – in 2015 a business was reporting their tax incorrectly to the Department of Revenue. DOR discovered this misreporting during an internal DOR review. As a result this business received a 4+ year refund of \$52,437 which the City paid to DOR, which in turn paid the business.
3. Skagit Regional Hospital Public Parking Facility Update – An agreement that was executed in 2009 created a five year funding period where the City would set aside 80% of the sales tax generated by the Hospital's receiving facility. These funds would be allocated for the future construction of a parking garage that would be built in the Hospital district area. The agreement states that the construction is to be completed no later than Dec. 31, 2020. If the facility is not constructed the City could reclaim the set aside revenues. The current balance in the parking facility fund is \$382,827.64 at December 31, 2015; however, it will be adjusted before the books are closed for the year to allocate a portion of interest earnings to this fund.
4. Equipment Rental & Replacement Fund – Alicia reviewed with the committee the various components that are embedded into the equipment rental fund rates and charges to departments. These expenses/components include charges for labor, fuel, overhead costs and reserve building to the departments. Alicia reviewed how those charges are calculated and charged out to departments.

Adjourned at 7:00 p.m.

Submitted by
Rebecca J. Wade